

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 NSA-02 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 RSC-01 CIEP-02 SPC-03 STR-08

TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 SS-20 NSC-07 L-03

H-03 PA-04 PRS-01 USIA-15 SAJ-01 AGR-20 IO-14 DRC-01

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R 181743Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8811

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03418

E.O. 11652: XGDS-1

TAGS: UK, ECON, EC

SUBJECT: BRITISH VIEW ON RENEGOTIATION OF TERMS OF
MEMBERSHIP IN EUROPEAN COMMUNITY

BEGIN SUMMARY

MINECON/COM CALLED ON OLIVER WRIGHT (DEPUTY UNDER
SECRETARY IN CHARGE OF ECONOMIC AND EUROPEAN COMMUNITY
AFFAIRS , FOREIGN AND COMMONWEALTH OFFICE) MARCH 18 TO
DISCUSS BRITISH VIEWS OF RENEGOTIATION OF THE TERMS
OF MEMBERSHIP IN THE EUROPEAN COMMUNITY. WRIGHT SAID
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LABOR GOVERNMENT WOULD MAKE EACH DECISION AS NECESSITY

FOR IT AROSE, BUT HE THOUGHT RENEGOTIATION WOULD CENTER ON THREE POINTS, THE COMMON AGRICULTURAL POLICY, BRITAIN'S CONTRIBUTIONS TO THE EC BUDGET, AND OPENING THE EC MARKET TO THE RAW MATERIALS PRODUCED BY COMMONWEALTH COUNTRIES. END SUMMARY.

1. WRIGHT SAID THAT THE "BIBLE" GOVERNING RENEGOTIATION WAS THE LABOR PARTY MANIFESTO BUT THAT THE PRIME MINISTER WAS THE ONLY PERSON WHO COULD INTERPRET THE MEANING AND PHRASES IN THE MANIFESTO. HOWEVER, WRIGHT EMPHASIZED THAT IN HIS VIEW THE BRITISH BUDGETARY CONTRIBUTION TO THE COMMUNITY WOULD HAVE HAD TO BE RENEGOTIATED, NO MATTER WHICH PARTY HAD WON THE ELECTION, IN ORDER TO BRING THESE CONTRIBUTIONS MORE INTO KEEPING WITH BRITAIN'S "ABILITY TO PAY."

2. WRIGHT SAID HE HAD JUST GONE OVER SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS CALLAGHAN'S DRAFT STATEMENT SCHEDULED TO BE MADE IN THE FOREIGN AFFAIRS DEBATE IN THE HOUSE OF COMMONS MARCH 19. THE FOREIGN SECRETARY WOULD PROBABLY RESTATE THE IMPORTANCE BRITAIN ATTACHES (A) TO CONTINUING CLOSE RELATIONS WITH EUROPE, (B) TO CONSULTATIONS WITH THE UNITED STATES, (C) TO CLOSE RELATIONS WITH THE COMMONWEALTH AND (D) TO CLOSE LINKS WITH THE UNITED NATIONS. IN DISCUSSING THE EUROPEAN COMMUNITY, THE FOREIGN SECRETARY WILL UNDOUBTEDLY STRESS THAT THREE POINTS MUST BE RENEGOTIATED: THE COMMON AGRICULTURAL POLICY, THE SCALE OF CONTRIBUTIONS MADE BY MEMBER STATES, AND THE DEGREE TO WHICH EC MARKETS ARE "OPEN" TO PRODUCERS OF RAW MATERIALS SUCH AS THE COMMONWEALTH. WE INTERJECTED THAT WE HOPED THIS THIRD CONCEPT MIGHT BE BROADENED TO INCLUDE ALL THIRD COUNTRIES, NOT JUST COMMONWEALTH SUPPLIERS OF RAW MATERIALS. WRIGHT DID NOT COMMENT.

3. WRIGHT SAID THAT THE LABOR GOVERNMENT WAS DETERMINED TO TAKE A PRAGMATIC AND PRACTICAL APPROACH TO THE PROBLEMS OF RENEGOTIATION AND TO TAKE EACH DECISION AS THE NEED FOR IT AROSE. THIS MEANT THAT THE FIRST SERIES OF DECISIONS TO BE TAKEN AROSE IN CONNECTION
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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 03418

WITH THE MEETING OF THE COUNCIL OF (AGRICULTURAL)
MINISTERS ON MARCH 21-22 IN WHICH BRITISH EFFORTS WOULD
BE DIRECTED TOWARDS MINIMIZING THE IMPACT ON THE
BRITISH HOUSEWIFE'S BUDGET OF AGRICULTURAL PRICE
INCREASES IN THE COMMUNITY. IN PRACTICAL TERMS, SAID
WRIGHT, THIS MEANT THAT THE BRITISH WILL CONCENTRATE
ON SEEKING TO RESTRAIN INCREASES IN PRICES OF BEEF AND
BUTTER.

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4. THE NEXT MAJOR SERIES OF DECISION WILL BE PRESENTED WHEN THE COUNCIL OF FOREIGN MINISTERS MEETS ON APRIL 1-2 WHEN THE FOREIGN SECRETARY CAN BE EXPECTED TO LAY OUT THE GENERAL LINES OF BRITAIN'S EXPECTATIONS.

5. ASKED HOW ONE SHOULD INTERPRET THE PHRASE "ABILITY TO PAY," WRIGHT SAID THAT HE THOUGHT EVENTUAL BRITISH CONTRIBUTIONS TO THE COMMUNITY BUDGET SHOULD BE BROUGHT INTO LINE WITH BRITAIN'S SHARE OF THE GNP OF THE COMMUNITY. BASED ON PRESENT TRENDS, HE SAID BRITAIN COULD EXPECT TO ACCOUNT FOR ONLY ABOUT 18 PERCENT OF THE COMMUNITY GNP WHEN FULL MEMBERSHIP IS ACHIEVED. HOWEVER, AGAIN BASED ON PRESENT TRENDS, BRITAIN CAN BE EXPECTED TO CONTRIBUTE ABOUT 26 PERCENT OF THE COMMUNITY BUDGET. THE PRESENT GOVERNMENT DOES NOT SEE PRECISELY HOW THE BRITISH CONTRIBUTION CAN BE BROUGHT INTO LINE WITH ITS SHARE OF THE COMMUNITY GNP BUT IT IS CLEAR THAT THE TERMS OF THE COMMON AGRICULTURAL POLICY, WHICH REQUIRE THE PROCEEDS OF ALL LEVIES AND CUSTOMS DUTIES TO BE PAID INTO THE CENTRAL COMMUNITY BUDGET (AS WELL AS ONE PERCENT OF THE PROCEEDS FROM VALUE ADDED TAX) BEARS UNFAIRLY ON THE UK BECAUSE OF ITS SHARE OF WORLD TRADE AND WILL HAVE TO BE CHANGED.

SOHM.

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